

State of Alaska FY2003 Governor's Operating Budget

Department of Natural Resources Director's Office/Mining, Land, & Water Component Budget Summary

Component: Director's Office/Mining, Land, & Water

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Component Mission

Encourage the settlement of state land and the development of state resources by making them available for maximum use consistent with the public interest. (Constitution; Article VIII, Sec 1).
(Differs from SLA 2001, CH90, Section 112)

Component Services Provided

The primary service provided by this component is the effective management of Alaska's minerals, land and resource assets to produce revenues, create jobs, and to promote economic vitality. The Director's Office component provides the management and administrative oversight for the six other components within the Division of Mining, Land and Water. These are:

- Claims, Permits and Leases
- Land Sales and Municipal Entitlements
- Water Development
- Title, Acquisition and Defense
- RS2477/ Navigability Assertions and Litigation Support
- Development Special Projects

The Division of Mining, Land and Water promotes the use of state minerals, land and resources and recognizes the public benefits derived from use and development. The Division has and will continue to streamline processes and maximize economic opportunity working with the public and private sectors to stimulate and promote sound development.

The Division has structured its budget to reflect the expectation that developing the state's land and resources should, in general, pay for itself. Thus, functions that develop Alaska by granting, authorizing or granting resources to the private sector are funded primarily on program receipts. That is, developing the land and resources of Alaska will pay for the cost of administration and provide some return to the school fund, permanent fund and the general fund. These development functions are primarily within the Division's first two components: Claims, Permits and Leases; and Land Sales and Municipal Entitlements. The Division also undertakes some functions that are basic responsibilities of the state for which there is no revenue source. These functions are mostly concentrated within Title Acquisition and Defense. This component secures Alaska's full land entitlement under the Statehood Act, and defends access to public land and state's where needed.

This Director's Office has taken over the functions that were formerly performed by three separate Director's offices. Two of them, the Division of Water and Division of Mining merged in 1996. On July 1, 1999, DNR's Division of Land merged with its Division of Mining and Water Management to form the Division of Mining, Land and Water. Part of the three Director's Offices were eliminated.

The **Claims, Permits and Leases** component provides the authorizations necessary to develop Alaska's Land. There are few, if any, industries that use State land that do not require an authorization provided by this component. The component costs approximately \$6.9 million (including \$5.7 million of general fund and program receipt income). However, the direct revenue collected by this component is expected to be almost \$9.4 million, \$2.4 million of which will go into the permanent fund. These revenues do not include all revenues generated by the development of state land, only the fees, rents, and royalties collected directly by this component. That is, the figures do not include oil and gas royalty, forestry stumpage fees, mining license tax, etc.

The **Land Sales and Municipal Entitlements** component provides land sales to individuals and transfers land to municipalities. The \$2.7 million expected in principal and interest from current and past land sales is greater than the \$2.4 million funded by the Land Disposal Fund, in this component.

The **Title Acquisition and Defense** component acquires land and defend its title. The outcomes of this component are

basic mandates of any state in the Union. The component includes the work necessary to acquire land (including more than 103 million acres as the state's entitlement) from the federal government, and defend access to land through ANCSA 17(b) easements, RS2477 assertions, etc.

The **Water Development** component includes administration of water rights, Alaska Hydrologic Survey and Dam Safety. It provides the water rights and hydrologic data necessary for development that appropriates and makes beneficial use of the state's water resources.

The remaining two components are small specialty components found in different BRU's that are continued from previous budget years. These are: **RS2477/ Navigability Assertions and Litigation Support and Development Special Projects**.

Component Goals and Strategies

The component goals and strategies of Division of Mining, Land and Water are outlined in each of the six components managed by the Director's Office. For additional detail on the outcome, measures, and outputs of the other components, contact DNR Admin Services Manager (Nico Bus 465-2406).

Key Component Issues for FY2002 – 2003

This section provides a summary of the major issues facing the Division of Mining, Land and Water. More detailed discussion is found in individual component write-ups.

1. **Retention and Recruitment of Qualified Staff.** The Division has difficulty retaining and recruiting qualified staff. The private market and, in many cases, other departments pay significantly more for what often turns out to be less stressful and less controversial work. As a result, the Division had, at one point, 27 vacancies out of a total staff of approximately 150. This level of vacancies has seriously hampered productivity within the Division. It has decreased the level of service the Division is able to provide to Alaskans, and it means that the Division's work produces less employment and income for Alaskans, and brings in less revenue to the state.

The Department is conducting a review of the natural resource management classification specifications — a job classification that includes two-thirds of the Division employees. The review does not include a salary survey, but is expected to re-align pay ranges for similar work performed elsewhere by state employees. Funding this expected increase is crucial for the Division. The ability to recruit and keep qualified staff is critical for every program within the Division.

2. **Gaining Title to the "Denali Block."** The Denali Block is the unofficial name given to about 5 million acres of largely federal land along the Denali Highway between Paxson and Cantwell. The Division prioritized conveyance for 235,000 acres (about 10 townships) in the eastern portion of the Denali block, north of the Denali Highway. That portion includes approximately 25% of the Tangle Lakes Archaeological district, which is rich in historic and prehistoric remains.

The mining industry asked to make this area a high priority for immediate conveyance. However, because of the large amount of recreational use and the important archaeological resources, the area requires more intensive management than most state land. It requires a field presence on the ground. If the state takes possession of the land but cannot provide appropriate management — management now provided by BLM, we put the cultural resources of the Ahtna people at risk. For that reason, an increment is proposed so that DNR can provide the management and continued protection of the resources.

Gaining the title is an important legislative priority for the mining industry. Gaining the title will accelerate mineral exploration: a likelihood of millions of new exploration dollars being spent in Alaska, and tens of thousands of dollars for mineral rents to the state. (Mineral exploration will not occur under federal ownership.)

3. **RS 2477 Assertion and Management.** Legislation is being proposed that would address issues related to landowner liability and maintaining a list of identified RS 2477s. In addition, the division is proposing an increment that will aid in managing these easements. Management of RS 2477 and other easements is becoming an

increasingly significant issue with the public. The Division is seeing a large increase in requests to assert RS 2477s and other easements or rights-of-way, define exact locations for previously asserted easements, and to vacate those previously asserted. The staff time required to resolve these issues is large, seems to be ever-increasing, and under-budgeted.

4. **Municipal Entitlements.** Over one-half million acres are owed to municipalities under the municipal entitlement law, but cannot be conveyed because the land is not appropriately classified for borough selection. The Division is proposing an increment to complete the conveyances. The increment would provide additional staff to determine what land should be reclassified and made available for borough ownership, revise the land use plans accordingly, and process the municipal entitlement selections. The six boroughs where this is an issue are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat.
5. **Oil Safety and Development Initiative.** The DMLW is a participant in the management of Oil and Gas leases and actively manages the surface activities outside of the lease boundaries. In addition, the DMLW provides title reports to the Division of Oil and Gas for all oil and gas lease sales. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs.

Major Component Accomplishments in 2001

This section provides a summary of the major FY 2001 accomplishments of the Division of Mining, Land and Water. More detailed discussion is found in individual component write-ups.

1. Implemented the following legislation:

- **Land Disposal.** The 2000 legislature provided funds for the Division to increase the level of land sale offerings to Alaskans. The legislation also provided a funding mechanism to make the land sale program self-sustaining and to provide a return to the state general fund. The Division met the expectations it laid out in the legislative discussion. Already in FY 02, the Division has offered 2,500 subdivision parcels and 297 of the "stake-it yourself" remote recreation cabins. A similar number will be offered in FY 03.
- **Providing a Uniform Appeals Process.** The 2000 legislature provided the statutory basis for a uniform appeals program for DNR. Prior to that law and because of different laws passed at different times, DNR had different schedules, requirements, and procedures that applied to seemingly similar Department decisions. A uniform system with standard procedures and timelines will be easier for staff, applicants, and the public. In September 2000, the Department released regulations to complete the streamlining process. The regulations were codified in September 2001.
- **Water Rights.** The 2001 legislature provided statutory changes that addressed water use fees, HB 185. These fees are to provide a stable funding source for the program. That is, those that obtain water rights would pay the cost of maintaining the program. Secondly, the legislature approved a \$300,000 increment for FY2003 to increase the water rights staff for processing the remaining applications. Lastly, the Division released draft regulations in August 2001 to streamline the water rights program; to decrease the amount of work required by eliminating the need for some less significant water withdrawals to obtain water rights. The streamlining regulations are expected to be final in early 2002. Fee regulations to implement HB 185 are expected to be released for public comment in early 2002.

2. Large Mine Reviews

Pogo. The Division is coordinating state permitting and participation in the federally required EIS for the Pogo Gold Mine 38 miles northeast of Delta Junction.

True North. The Division is approved operations for the True North deposit that is trucked to Fort Knox, near Fairbanks. The permitting was completed in January 2001 and the first ore was delivered to Fort Knox for processing in March.

Green's Creek Environmental Review At the invitation of the US Forest Service and Green's Creek Silver Mine, the Division coordinated a federal-state environmental review of operations at the site near Juneau.

Statutory and Regulatory Authority

AS 27; AS 29; AS 38; AS 41; AS 46; 11AAC;

Director's Office/Mining, Land, & Water

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	391.5	392.9	403.3
72000 Travel	53.5	17.7	17.7
73000 Contractual	66.1	40.0	40.0
74000 Supplies	6.7	18.8	18.8
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	517.8	469.4	479.8
Funding Sources:			
1004 General Fund Receipts	365.9	372.1	380.0
1007 Inter-Agency Receipts	150.0	97.3	99.8
1053 Investment Loss Trust Fund	1.4	0.0	0.0
1108 Statutory Designated Program Receipts	0.5	0.0	0.0
Funding Totals	517.8	469.4	479.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	150.0	97.3	97.3	99.8	99.8
Statutory Designated Program Receipts	51063	0.5	0.0	0.0	0.0	0.0
Restricted Total		150.5	97.3	97.3	99.8	99.8
Total Estimated Revenues		150.5	97.3	97.3	99.8	99.8

Director's Office/Mining, Land, & Water

Proposed Changes in Levels of Service for FY2003

RS 2477s Rights of Way:

The passage of AS 19.30.400-.415 has significantly impacted the department's workload as it relates to easement management (conflict resolution, easement location) and vacations, relocations and other survey administrative work. An increment is being proposed to allow the division to meet the seemingly ever-increasing workload associated with RS 2477 and other easement. The increment includes processing RS 2477 ROW vacations, relocations and approval of surveys. As outlined in statute, the legislature intends that DNR use great care in deciding to vacate RS 2477 rights-of-ways. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties. In addition, the increment would allow DNR to manage the many on-the-ground problems that all too often surround the use and assertion of easements. Where possible the division would like to take a proactive approach and determine which ROWs have the most public interest, conduct field exams, create trail location diagrams and selected as-built surveys. Such an effort would allow the Division to "adjust" the route to a final alignment that would satisfy the need for access provided in law and avoid the many conflicts between landowners and users because of location issues. The end product would be a recordable document that at least settles the location and width of the easements.

Municipal Entitlements:

Over the last few years, the state has made a significant effort to finalize land ownership patterns. Final state selections were made and priorities publicized in 1994. The mental health land trust dispute has been settled. Native corporations are finally gaining title to land. In addition, the state has re-started its land disposal program to transfer land to private individuals. The knowledge of which group will eventually control the land is a pre-requisite to economic development. The one exception to resolution is municipal entitlements. Municipal entitlements for a number of rural boroughs remain unconveyed because DNR has not had the staff to complete the public planning processes that are constitutionally required before the conveyances can be made.

An increment is being proposed to fund a comprehensive, public process to determine what land should be reclassified and made available for borough ownership. The six boroughs where this is an issue are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat. DNR would use added staff to process the borough's selections and revise land use plans to enable additional lands to be conveyed to these boroughs. The three existing municipal entitlement staff are processing higher priority parcels; the existing planning staff are assigned to priority planning projects that enable development in unplanned areas of the state. The increment would result in the transfer of 60,000 acres to these boroughs beginning in FY 04.

Denali Block:

There has been a great deal of mineral exploration in the area that indicate the potential for a significant deposit of platinum. The area is also used for recreation and camping and is important for sport hunting and subsistence. The Denali Block also includes the Tangle Lakes Archaeological district, containing more than 400 sites. DNR has placed 235,000 acres (less than 5% of the total area) on its conveyance priority list to accelerate mineral exploration. With ownership of this land, however, comes the responsibility to actively manage the land.

To accomplish the on-site management now performed by BLM, this budget increment proposes a part-time position with a vehicle and ATV that will be located during the summer months on the site. In addition, the DMLW will contract with the Division of Parks and Outdoor Recreation to continue BLM's inventory of the site so that DNR will have the knowledge to protect the resources.

Oil Safety and Development Initiative:

The DMLW is a participant in the management of Oil and Gas leases and actively manages the surface activities outside of the lease boundaries. In addition, the DMLW provides title reports to the Division of Oil and Gas for all oil and gas lease sales. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs. This increment requests two additional Natural Resource Officer II's (Range 16) to supplement the existing program.

One NRO II is within the Title Acquisition and Defense component to eliminate the 6-month backlog of title report requests for oil and gas sales. A second NRO II is within the Claims, Permits, and Leases component for initial sale review, permit issuance, and monitoring and compliance activities.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	372.1	0.0	97.3	469.4
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	7.9	0.0	2.5	10.4
FY2003 Governor	380.0	0.0	99.8	479.8

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Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	6	6	Annual Salaries	294,833
Part-time	0	0	COLA	8,838
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	101,827
			Less 0.54% Vacancy Factor	(2,198)
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	403,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Division Director	1	0	0	0	1
Large Mine Project Manager	1	0	0	0	1
Natural Resource Mgr IV	1	0	0	0	1
Secretary	1	0	0	0	1
Totals	6	0	0	0	6